

RSA-1 DEFERRED COMPENSATION PLAN

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FORMS

- ☐ Member Record
- ☐ Authorization to Defer Compensation
- ☐ Investment Option Election for New Members
- ☐ Catch-Up Provision Election and Worksheet
- ☐ Multiple Beneficiary Designation
- ☐ Change of Information Form

RSA-1 DEFERRED COMPENSATION PLAN

The Retirement Systems of Alabama (RSA) is pleased to provide you with the RSA-1 Deferred Compensation Plan information. This is an important part of our commitment to provide our members and any one eligible for RSA-1 with valuable information that will assist them with planning their retirement needs. The majority of people working today expect their retirement income to come from three sources: their pension plan, Social Security, and personal savings. With experts estimating that a person will require between 70 and 80 percent of his or her preretirement income, increasing your personal savings is a good retirement strategy to help supplement your retirement income.

One way for public employees in Alabama to increase their personal savings and add to their financial security is by investing in an Internal Revenue Code Section 457 Deferred Compensation Plan like RSA-1. RSA-1 offers an easy and flexible way to save for retirement through payroll deduction while providing tax relief today. The forms necessary to enroll in RSA-1 are included in the Forms section of this Manual.

Employee Eligibility

Any public official or employee of the state of Alabama or any political subdivision thereof is eligible to participate in the RSA-1 Deferred Compensation Plan, regardless of age or participation in the Retirement Systems of Alabama (RSA). Participation in RSA-1 is strictly voluntary.

Employee Enrollment

You can enroll in RSA-1 at any time. To participate in RSA-1:

1. An employee must complete the Member Record form and the Investment Option Election form and submit the completed forms to the RSA-1 Deferred Compensation Plan office at the RSA to establish an account.
2. If you wish to have more than one primary or contingent beneficiary, complete the Multiple Beneficiary Designation form and submit along with the Member Record and Investment Option Election forms to RSA-1.
3. Initiate salary deferrals by filing an Authorization to Defer Compensation form with your payroll officer. Do not send the Authorization to Defer Compensation form to RSA-1 or the RSA.

Deferrals

1. Deferrals may be in any amount desired by the participant as long as the participant does not exceed the maximum deferral allowable.
2. The amount of the participant's deferral may be increased, decreased or suspended as often as the participant wishes, subject only to employer payroll requirements.

You can only defer contributions to RSA-1 through payroll deductions. The Authorization to Defer Compensation form must be made in the month prior to the month in which the actual deferral is to be made. A new employee may begin deferrals in the month of his or her employment provided that he or she files an authorization form on the date of, or prior to, the first day of employment.

Advantages to Joining RSA-1

Tax Savings

The following is an example of how participation in RSA-1 can help you reduce current taxes:

Assume:

- An employee earning \$1,000 bi-weekly
- Deferring \$100 into RSA-1 bi-weekly
- Filing as single with one withholding allowance

Contributing to RSA-1

Bi-weekly pay	\$1,000.00
RSA-1 Deferral	\$100.00
Less 5% Retirement Contribution	\$50.00
Federal Tax	\$83.24
State Tax	\$31.99
FICA	\$76.50
Take-Home Pay	<u>\$658.27</u>

Not Contributing to RSA-1

Bi-weekly pay	\$1,000.00
RSA-1 Deferral	\$0.00
Less 5% Retirement Contribution	\$50.00
Federal Tax	\$98.24
State Tax	\$36.24
FICA	\$76.50
Take-Home Pay	<u>\$739.02</u>

In this example, deferring \$100 only decreases your take-home pay by \$80.75 while saving \$19.25 on taxes. (Based on 2003 tax-tables.)

Retirement Savings

Effect of Saving Over a 25 Year Period*

Monthly Deferral Amount	Assumed Earnings Rate		
	6%	7%	8%
\$25	17,324.85	20,251.79	23,775.66
\$50	34,649.70	40,503.58	47,551.32
\$100	69,299.40	81,007.17	95,102.64
\$200	138,598.79	162,014.34	190,205.28
\$400	277,197.58	324,028.68	380,410.56

Effect of Saving Over a 30 Year Period*

Monthly Deferral Amount	Assumed Earnings Rate		
	6%	7%	8%
\$25	25,112.88	30,499.27	37,258.99
\$50	50,225.75	60,998.55	74,517.97
\$100	100,451.50	121,997.10	149,035.94
\$200	200,903.01	243,994.20	298,071.89
\$400	401,806.02	487,988.40	596,143.78

*These examples are provided for illustration purposes only and do not guarantee that the fund will perform at this level in the future.

To check current monthly yields on investments, call 832-4140 or 800-214-2158, menu #2, extension 585 or visit our Web site at www.rsa.state.al.us.

For questions you may have about securing a better future with the RSA-1 Deferred Compensation Plan, call 832-4140 or 800-214-2158, menu #2, extension 299.